

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 16 - HB 547

March 16, 2023

SUMMARY OF BILL: Grants paid leave from work for state employees under the following circumstances:

- 12 workweeks for the birth of an employee's newborn child or the adoption of a newly placed child under the age of six years;
- One workweek for the serious health condition of the employee or the employee's spouse, child or parent when providing a medical certification from a healthcare provider; and
- Six hours for an employee to attend a school-related activity for the employee's child or a child who the employee is the caregiver.

Requires the Department of Human Resources and nonexecutive branch human resources to establish policies for implementing the provisions of the bill.

FISCAL IMPACT:

Increase State Expenditures - \$16,861,500/FY23-24 and Subsequent Years

Other Fiscal Impact – The state's additional fiscal liability is estimated to exceed \$25,330,400 for accumulated leave resulting from the proposed legislation but does not result in a direct annual budgetary impact. Currently, the agencies included within the proposed legislation realized total payroll savings of \$385,310,885 in FY21-22.

Assumptions:

Twelve weeks paid parental leave for state employees:

- The proposed legislation will provide up to 12 paid workweeks within a 12-month period for state employees for the birth or adoption of a child. The leave must qualify under FMLA and employees will not have to use their sick or annual leave.
- According to the Department of Human Resources (DHR), there are 39,602 full-time employees (FTEs).
- According to U.S. Census data, it is estimated that approximately 32 percent of government employees are between the ages of 20 and 44; therefore, it is assumed the overall population this will apply to is 12,673 full time state employees (39,602 x 32%).

- According to the *Employee and Worksite Perspectives of the Family and Medical Leave Act: Results from the 2018 Surveys* (FMLA Survey) published in July 2020, 21 percent of all qualifying employees took FMLA leave to care for a child. Additionally, seven percent (7%) of all employees had an unmet need for leave. For purposes of this analysis, it is assumed 3,548 FTEs annually will take advantage of this benefit to some extent $[(12,673 \times 21\% = 2,661) + (12,673 \times 7\% = 887)]$.
- Based on the actual payroll expenditures for FY21-22, the estimated average salary for state employees is \$88,322, or \$339 per day.
- The estimated cost to the state for 3,548 employees who take 12 paid workweeks is \$72,166,320 $(3,548 \text{ FTEs} \times 12 \text{ workweeks} \times 5 \text{ days per workweek} \times \$339)$.
- Based on information provided by DHR, approximately 78 percent of all FMLA leave is taken as leave with pay by using annual or sick leave. The provisions of this bill will result in leave days being used at a later time or accumulating throughout the employee's tenure.
- Any accumulated annual leave at the time of an employee's termination from state government is paid out based on the employee's hourly rate at the time. While this will not result in a direct annual fiscal impact, it does create a fiscal liability for the state.
- Over the past three fiscal years, employees taking FMLA leave average 27 days of leave. The increase in fiscal liability to the state as a result of accumulated leave is estimated to be \$18,997,784 $(2,661 \text{ FTEs} \times 78\% \times 27 \text{ days} \times \$339 \text{ per day})$.
- It is assumed 78 percent of those who are taking FMLA leave under the provisions of the legislation who would not have otherwise taken leave will result in an additional increase in liability to the state of \$6,332,595 $(887 \text{ FTEs} \times 78\% \times 27 \text{ days} \times \$339 \text{ per day})$.
- The total increase in fiscal liability to the state resulting from accumulated leave is estimated to be \$25,330,379 $(\$18,997,784 + \$6,332,595)$.
- Due to 22 percent of FMLA leave being taken as leave without pay, it is assumed those savings will not be realized because of the paid leave resulting in a direct increase in annual state expenditures. The increase in expenditures in FY23-24 and subsequent years is estimated to be \$5,358,349 $(2,661 \times 22\% \times 27 \text{ days} \times \$339)$.
- The additional leave taken by employees will result in additional temporary staff or overtime being paid to cover the increased workload in the absence of the employee on parental FMLA leave. It is assumed that 10 percent of the additional leave will result in an increase in state expenditures of \$4,780,917 $[(2,661 \times (60 \text{ days} - 27 \text{ days}) \times 10\%) + (887 \times 60 \text{ days} \times 10\%)] \times \339 .

One workweek for serious illness and six hours for school events:

- The proposed legislation will provide a state employee one workweek of paid leave for a serious health condition suffered by an employee or employee's immediate family member.
- According to the *Employee and Worksite Perspectives of the Family and Medical Leave Act: Results from the 2018 Surveys* (FMLA Survey) published in July 2020, 50 percent of all qualifying employees took FMLA leave due to their own illness. Additionally, 20 percent all employees took FMLA leave due to an immediate family need. For purposes of this analysis, it is assumed at least 50 percent of FTEs not taking parental leave will

take advantage of this benefit to some extent, resulting in 18,027 FTEs receiving one week of paid leave $[(39,602 \text{ FTEs} - 3,548 \text{ parental leave}) \times 50\%]$.

- The estimated cost to the state for 18,027 employees who take one paid workweek is \$30,555,765 $(18,027 \text{ FTEs} \times 1 \text{ workweek} \times 5 \text{ days per workweek} \times \$339)$.
- Due to 22 percent of FMLA leave being taken as leave without pay, it is assumed those savings will not be realized because of the paid leave resulting in a direct increase in annual state expenditures. The increase in expenditures in FY23-24 and subsequent years is estimated to be \$6,722,268 $(18,027 \times 22\% \times 5 \text{ days} \times \$339)$.
- It is assumed the one week leave and the six hours of leave for a child's school event will not have a significant impact on accumulated annual or sick leave or result in a need for additional temporary employees or overtime being paid.

Total Expenditures:

- The total increase in state expenditures is estimated to be \$16,861,534 $(\$5,358,349 + \$4,780,917 + \$6,722,268)$ in FY23-24 and subsequent years.
- The state's additional fiscal liability is estimated to exceed \$25,330,400 for accumulated leave resulting from the proposed legislation but does not result in a direct annual budgetary impact.
- Currently, the agencies included within the proposed legislation realized total payroll savings of \$385,310,885 in FY21-22.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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